



Southside Economic Development Committee

Thursday, June 23, 2005

11:30 a.m.

Hotel Roanoke and Conference Center
Roanoke, Virginia

APPEARANCES:

Mr. Thomas W. Arthur, Chairman
The Honorable Kathy J. Byron, Vice Chairman
The Honorable Frank M. Ruff
The Honorable Thomas C. Wright, Jr.
The Honorable Gary D. Walker
The Honorable Barnie K. Day
The Honorable Edward Owens
The Honorable John Thomas Taylor
Mr. Clarence D. Bryant, III
Mr. L. Jackson Hite
Mr. Harrison Moody

COMMISSION STAFF:

Mr. Ned Stephenson, Manager of Strategic Investments
Mr. Timothy Pfohl, Grants Program Administration Manager
Ms. Britt Nelson - Grants Coordinator, Southside Virginia
Ms. Stephanie Wass, Director of Finance
Ms. Mary Cabell Sulc, Manager of Communications and Committee
Operations

MR. ARTHUR: I want to call this meeting of the Southside
Economic Development Committee to order, please. This should be a relatively short

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1 session. There is an issue that we need to settle and get it done right away so that our
2 counties and areas can get busy on what they need to do. I thank you for coming.

3 At this time I'd like to have the roll call, please.

4 MR. STEPHENSON: Mr. Bryant?

5 MR. BRYANT: Here.

6 MR. STEPHENSON: Delegate Byron?

7 DELEGATE BYRON: Here.

8 MR. STEPHENSON: Mr. Day?

9 MR. DAY: Here.

10 MR. STEPHENSON: Mr. Hite?

11 MR. HITE: Here.

12 MR. STEPHENSON: Delegate Hogan?

13 DELEGATE HOGAN: (No response.)

14 MR. STEPHENSON: Mr. Moody?

15 MR. MOODY: Here.

16 MR. STEPHENSON: Mr. Owens?

17 MR. OWENS: Here.

18 MR. STEPHENSON: Senator Ruff?

19 SENATOR RUFF: Here.

20 MR. STEPHENSON: Secretary Schewel?

21 SECRETARY SCHEWEL: (No response.)

22 MR. STEPHENSON: Mr. Taylor?

23 MR. TAYLOR: Here.

24 MR. STEPHENSON: Mr. Walker?

25 MR. WALKER: Here.

26 MR. STEPHENSON: Delegate Wright?

27 DELEGATE WRIGHT: Here.

28 MR. STEPHENSON: Chairman Arthur?

29 MR. ARTHUR: Here.

30 MR. STEPHENSON: We do have a quorum.

31 MR. ARTHUR: Thank you.

32 Do I have a motion to approve the Minutes of the last meeting?

33 MR. MOODY: So moved.

34 MR. ARTHUR: Is there a second? There is a second.

35 Motion has been made and seconded to approve the Minutes of the last meeting. All in
36 favor signify by saying aye? (Ayes.) Opposed, like sign? (No response.) The Minutes
37 are approved.

38 The purpose of this meeting today is that the Chairman has asked on
39 several occasions that we try to find a way to make it easier for the smaller counties that
40 do not get a large allocation to explore larger projects and for us to try to find a way so
41 that some funds can be made available for those counties. Now, we made it clear at the
42 last meeting that everyone here did not wish to change the allocation. Keeping that in
43 mind, I have floated an idea that might accomplish what we want to do and still meet the
44 criteria of not changing the allocation. This proposal is basically that we take our monies

1 and put the allocation formula to it, then the counties that fall into a bracket of less than
2 some level, which we will decide upon, be grouped together and all of their allocation be
3 put into one pot. Should a county come up with a project worthy of exploring that they
4 would have access to a larger pool of money. That's the basic proposal.

5 The point is today that we really need to decide on something because the
6 counties need to be told what their allocations are and how much they are going to have
7 so that they can be notified next week, and we can set our cycle for their proposals to be
8 in by September, and we can award in the fall.

9 So, that is up for discussion. Ned, I think you have the handout that
10 basically shows what I am talking about.

11 MR. BRYANT: Mr. Chairman, if a proposal does not come
12 forward that merits us to fund for a smaller county, that money will be distributed?

13 MR. ARTHUR: Along with the regular allocation. Yes, that
14 was my proposal, and if that is the pleasure of the body, that is what we would do.
15 Simply looking for a way to provide some larger amount of money.

16 On the sheet you have in front of you it shows a cutoff at a hundred
17 thousand, two hundred thousand and five hundred thousand to be the cutoff and be
18 lumped together. What it would do to the pool of money would increase, for the smaller
19 counties, they would have up to a hundred and ninety-two thousand for a hundred
20 thousand, at two hundred thousand they would have up to nine hundred and twenty-two
21 thousand, and at a half a million they would have almost two million dollars.

22 The floor is open for discussion, and I recognize whatever the pleasure is
23 here.

24 MR. DAY: Mr. Chairman, is redoing the allocation formula
25 off the table?

26 MR. ARTHUR: Well, you can bring it back up, but we
27 voted very affirmatively in Roanoke that we didn't want to change it. That vote was four
28 to three.

29 MR. DAY: I don't have any problem with what we're
30 discussing this morning, except we're still going to have winners and losers.

31 MR. ARTHUR: We have that in everything, you have that
32 in everything, Bernie. We can't have all winners, particularly if you're going to lump and
33 allow someone to have access to some of the money that is greater than their allocation.
34 Somebody has got to lose if that other county is a winner. Next time around it might go
35 the other way.

36 You're looking at the figures. I guess the first thing we need to do is see if
37 that is a viable idea, and if so, what the cutoff should be. If not, we proceed with exactly
38 what we've got and go down that road.

39 MR. TAYLOR: Mr. Chairman, suppose you have a county
40 here that does not want to be in the regional allocation, they want to still sit on their own
41 two feet?

42 MR. ARTHUR: That's not their decision. In this case the
43 Commission --

1 MR. TAYLOR: -- If he wants to put in a fifty thousand
2 dollar project and he has got a hundred thousand dollar allocation but he is in the region
3 and the region decides they want to go for a bigger allocation somewhere else, then he is
4 out?

5 MR. ARTHUR: Maybe on that particular site, yes.

6 DELEGATE WRIGHT: Mr. Chairman -- are you finished
7 J. T.?

8 MR. TAYLOR: Yes.

9 DELEGATE WRIGHT: First of all, I think this is a far
10 superior proposal than we had last time. I think this is on the right track. I think there are
11 some questions like J. T. just asked that we need to answer. It seems to me that the
12 county that J. T. is talking about would still make its application, and we would have to
13 make a decision, and if the county may still get its proposal, and if another county makes
14 one for a higher amount, and instead of giving all that money to one county I'm sure we
15 could split it up. The smaller county would still get some consideration. The thing I like
16 about this proposal is that it allows you some flexibility, which I think we have been
17 looking for. When a small county does have a very good idea but no money to help back
18 it up, I think this is a good proposal. I think it may require some discussion which level
19 to go in. I think we're headed in the right direction.

20 MR. ARTHUR: Thank you, Tommy. This is what I've
21 been trying to do for some time. No matter where the cutoff is, or the group, everybody's
22 proposal is going to come back to this Committee, and this Committee is going to make
23 the final decision. An area that has a fifty thousand dollar proposal for something, and
24 we really like it, we're going to fund it, but it will be the will of this Committee in any
25 case.

26 MR. TAYLOR: That gets to the answer that I'm really
27 seeking, because what I was afraid of is that once you put it into the region it will be
28 considered regional money rather than one county. If a county says I want to go on with
29 my proposal and not go through the region, so he can still submit his application?

30 MR. ARTHUR: Right, no question about that. They have
31 a right to submit it, and we may group it together, something to that effect, but that's the
32 basic scenario.

33 MR. DAY: Let's say a small county does submit, but all the
34 money is already gone?

35 MR. ARTHUR: In that case, Mr. Day, I would say they
36 missed the boat on that particular cycle. They can come back again with it, because we're
37 going to be funding twice a year. If all the money is gone, then it is gone for that fiscal
38 year. Obviously, we did it because we felt that, the Committee did it because we felt the
39 project was worthy and we funded it.

40 MR. OWENS: Mr. Chairman, the numbers we have here
41 are pre-securitization, correct?

42 MS. WASS: FY05.

43 MR. STEPHENSON: The fourteen million is FY05, MSA
44 payments.

1 MR. OWENS: These numbers are going to go down forty
2 percent?

3 MR. ARTHUR: Not this year, next year.

4 MR. OWENS: So these will go down forty percent. The
5 threshold that we're talking about here, that is going to go down forty percent also?

6 MR. ARTHUR: It is a ratio, a proportional amount to the
7 entire amount. The allocation is going to take care of that, and the cutoff will have to be,
8 let's say we use two hundred thousand, that is a ratio to the fourteen million. We set that
9 ratio, and that is where the cutoff is.

10 MR. OWENS: We're not setting the actual dollar amount,
11 not the specific dollar amount?

12 MR. ARTHUR: I happened to use two hundred thousand
13 on this particular example. We would set a ratio of the total allocation, I would assume,
14 that would make sense to me.

15 MR. STEPHENSON: Mr. Chairman, or if you happen to
16 run these numbers for the '06 year, if we use two hundred thousand dollars, we would
17 pick up two more counties on this list. The counties of Campbell and Patrick, which
18 would not be in the pool under this scenario, would be in the pool next year.

19 MR. ARTHUR: As the allocation goes down to two
20 hundred thousand, if we stuck with just a number proportionately it would rise. I don't
21 know that we want to do that. The cutoff is the trick to this thing to make it work and
22 how we establish that number.

23 MR. WALKER: Mr. Chairman, I think you're headed in a
24 good direction on this, but I guess the conservative side of me says rather than jump out
25 in the middle of the pond, kind of wade in and test the waters, and that is the cautious
26 way to do it. Maybe if we went with this B proposal the first year and kind of looked at it
27 as a pilot project and see how the five counties react to it, then the next year if you
28 wanted to move it up a notch you would have some feel what the impact is going to be on
29 the people that are involved, rather than trying to put that ten or eleven counties or
30 however many, but however, it would be my suggestion that we go slowly. I think it is a
31 good idea, but I would be more favorable to ease into it.

32 MR. ARTHUR: Any more discussion?

33 DELEGATE WRIGHT: The only thing I would say is that
34 you might want to include Greenville in that small county list. I would agree with Gary.
35 I would definitely think we would go slow to start with on it. I would think Greenville
36 may have more in common with the other counties, but I would have no objection to
37 stopping at Sussex. I think we ought to go slow as well.

38 MR. ARTHUR: I have no disagreement with going slow,
39 but I would like to set a round number and not arbitrarily picking one.

40 MR. BRYANT: Would you address how many counties
41 would be encompassed at the one hundred thousand in '06 versus the chart we have in
42 front of us here?

43 MR. STEPHENSON: C. D., I have not done that. I would
44 have to run another spreadsheet, but I can do it.

1 MR. BRYANT: The two hundred thousand, you say two
2 more counties would come into that?

3 MR. STEPHENSON: I just did the math on that column, I
4 was trying to get a feel for how much it would be to pick up two more counties. I can do
5 that.

6 MR. WALKER: What C. D. was saying, that's why I was
7 saying let's try it this year before we get the real numbers, because you could get up to
8 Amelia or Nottoway next year pretty easy with the dollar amount going down, that's why
9 I was saying we ought to ease into it.

10 MR. ARTHUR: That's why I said, Mr. Walker, we should
11 either make it a yearly thing that we decide the amount of the cutoff, or we set a ratio of
12 the amount of total monies we get that would automatically find its own center of gravity
13 without us having to make an arbitrary decision each year that we're going to cut off with
14 this county or that county.

15 MS. WASS: Any county that has less than .75 percent of
16 the allocation.

17 MR. ARTHUR: That's the same thing as a ratio, so it
18 would work out.

19 DELEGATE WRIGHT: Mr. Chairman, I like that proposal
20 better. Set the percentage, that way there's no issue.

21 MR. ARTHUR: By setting a ratio you set the percentage,
22 so it is the same thing. You can call it a percentage, and that suits me fine, I don't care
23 one way or the other. I don't care what you call it, but it is arriving at an amount of
24 money or a number we do not have to arbitrarily establish each year, let it find its own
25 bottom and go from there.

26 MR. WALKER: No county would feel like you're picking
27 on them, because there would always be one just in and one just out. If you set that
28 percentage or ratio, then it's not arbitrary.

29 DELEGATE BYRON: I have a question. The monies that
30 are lumped together, is there a threshold when they apply for those as to how much they
31 are applying for and then how many pieces of that pie get broken up once it is lumped
32 together?

33 MR. ARTHUR: The intent was to provide a larger pot of
34 money for smaller counties that might come up with a good idea for economic
35 development. They may have forty thousand, and they need a hundred thousand. There
36 is no way, percentage or otherwise, of breaking it up. It is on the value of the proposal
37 that they make to be decided upon by this Committee. This Committee itself makes the
38 decision on the value of this particular project and how much of it will be funded. I think
39 we get into too much technical influence on the county if we try to set cutoffs on these
40 things, we're going to have to decide the value of the proposal. That is just my thinking.

41 DELEGATE BYRON: While I agree with you, you can
42 leverage more doing it that way, that's basically going to put us in a position of having to
43 evaluate each of those proposals.

44 MR. ARTHUR: That's true, that's our job.

1 DELEGATE BYRON: That gives us an opportunity to
2 evaluate them.

3 MR. ARTHUR: That gives them an opportunity to come
4 forward with something that is good for that county. They haven't had to worry about it
5 in the past, because they haven't had the money. Now they can think about something
6 that encompasses a bigger idea for the county. I think we have been unfair in a way to
7 some of the smaller counties, even though based on the allocation we all know how that
8 went.

9 What is the pleasure of the body?

10 MR. DAY: Mr. Chairman, I want to make one more
11 observation. Under this scenario, let's say one of the so-called poorer counties has a good
12 idea, we're going to force the other poorest counties to pay for it.

13 MR. ARTHUR: Is that your statement?

14 MR. DAY: Yes.

15 MR. ARTHUR: Yes, sir, you're exactly right. They're
16 going to pay for it, but next time they could be the county that hits it. That gives them an
17 incentive to work on something that is good for the county, as opposed to running a water
18 pipe out there somewhere.

19 MR. WALKER: I'd like to clarify if I may, when you use
20 the word poor. Some of these counties that have bigger allotments are much poorer than
21 some that have a smaller. Campbell County has a smaller allotment than Charlotte, but
22 the word poor bothers me, because Appomattox, Buckingham versus Charlotte and
23 Lunenburg, that rich-man/poor-man scenario can cause a problem.

24 MR. ARTHUR: Poor from the standpoint of the tobacco
25 allotment.

26 MR. WALKER: They had very little tobacco allotment to
27 begin with.

28 MR. TAYLOR: Mr. Chairman, I think the whole issue,
29 when you consider the poor or the rich, we're dealing with the whole impact, the loss
30 from the quota. We're dealing with impact, we're not dealing with the value of the
31 county, to me, I thought that's what we were dealing with, the impact on our economic
32 situation from the loss of our quota.

33 MR. ARTHUR: That is true, we're dealing with the impact.

34 MR. MOODY: One question I have. Two counties that are
35 in that category have a very good project, then how do we weigh which one is the best if
36 they both look like they're the same? I know this is a political group here, but I'm afraid
37 that some county that doesn't have much political clout will not get the vote that time,
38 that's what I'm concerned about. If they're both equal in their proposal, if we have to sit
39 here and vote on which one we want, we're going to have to vote on one, and --

40 MR. ARTHUR: -- You're exactly right. It is the job of this
41 Committee to make that decision. That is what this Committee was established for, to
42 decide which projects are worthy of the funding. I don't see any reason why any one of
43 us here would shy away from that responsibility. We're all educated people, and we have
44 to make those decisions.

1 Mr. Owens.

2 MR. OWENS: With that in mind, the two counties have
3 equal proposals, are you telling me that we would take the money from one that has, the
4 one that has the proposal, take his allocation also?

5 MR. ARTHUR: Yes, if it is over the amount that's equal.
6 The idea here, and let's restate it one more time here. The idea is to encourage the
7 counties at the bottom of this list, wherever the cutoff is, to look for better economic
8 development projects than we are getting. I don't know how many of these meetings you
9 sat through, but we have seen these proposals come through that are a total waste of
10 everybody's time. We've got thirty-seven thousand dollars, so we're going to award them
11 to do it. If they are going to put up a sign on the highway out here saying, welcome to
12 the county, that is not an economic development project. It is their money, so we
13 awarded it, or we have done it in the past. That thirty-seven thousand might go into
14 Cumberland County, where they have an industrial park, where they've got a promise for
15 somebody to come, and thirty-seven thousand dollars for the regional area of Southside.
16 We're thinking of Southside as a whole now, and not as a political entity. What is best for
17 Southside as a whole, that's the idea of this, but the final decision is with this Committee.
18 This Committee makes the decision of what we're going to award on, and it is not cut and
19 dried. There is some leeway to what we're going to do. I'd ask you please to consider
20 this, because I think it is something that is worthy of our consideration.

21 DELEGATE WRIGHT: One thing I think we need to keep
22 in mind, keep our focus on this issue. First of all, if we think it is a good idea and it
23 allows more flexibility for counties with a smaller amount of money if it is appropriate.
24 If we think so, then if we decide we don't want to change the appropriation, I think it is a
25 good idea. This is the best proposal that I have seen that we've come up with, and it is
26 not going to be a hundred percent perfect. You're going to have some disadvantages to it,
27 but the advantage of allowing a county to have an appropriation there of say sixteen
28 thousand and to be able to do a project that is worthwhile, I think outweighs the possible
29 negative impact. We don't know that there will be a negative impact. If more than one
30 county has a proposal, that would be the only time you would have a negative impact.
31 Currently, they can't have a proposal anyway, because there is no money there for them.

32 I'd make a motion that we go with the recommendation setting the amount
33 at .75, those counties would be lumped together.

34 MR. ARTHUR: That .75, where does that happen to fall
35 this year?

36 MS. WASS: That is Sussex County and below.

37 MR. ARTHUR: Then that is at a hundred thousand,
38 basically?

39 MS. WASS: Yes.

40 MR. ARTHUR: All right, you're making that proposal. If
41 we use this process and set the cutoff at .75 the total allotment?

42 DELEGATE WRIGHT: Yes.

43 MR. ARTHUR: Is there a second?

44 DELEGATE BYRON: Second.

1 MR. ARTHUR: Any more discussion?
2 DELEGATE BYRON: I just wanted to make a comment
3 that I think that it is a good idea that we try a different avenue. By the same token, as we
4 start to change our mindset and look at these projects and evaluate them because we're
5 going to make the decisions. It is kind of a different criteria, and lumping them together
6 we want to make sure that we really weigh into good projects. That we use that same
7 criteria in looking at the ones that are at the level above it, because project-for-project it
8 may make us take a better look at the value of each of the projects that we're approving in
9 the first place, that we set the same criteria for all projects being approved. Not just the
10 money, that we're going to approve something that we wouldn't have approved under the
11 five-county scenario.
12 MR. ARTHUR: You're not saying to lump them together?
13 DELEGATE BYRON: Who?
14 MR. ARTHUR: The counties above that. You just want to
15 evaluate them.
16 DELEGATE BYRON: I'm saying my hope is that as we
17 look at these proposals that we take a finer look at the five counties lumped together
18 because of the scenario that it is creating. I'm saying I hope we would use that same
19 evaluation as we evaluate projects for one county.
20 MR. ARTHUR: Any other comments?
21 MR. HITE: Mr. Chairman, any plan is better than what we
22 have had. All in all this is a step in the right direction.
23 MR. ARTHUR: We've taken the approach here of sticking
24 our toe in the water instead of jumping in. I think we can move forward if this works like
25 we desire it to. At least we're going somewhere other than where we have been.
26 Mr. Moody?
27 MR. MOODY: Is that .75 just for this year?
28 MR. ARTHUR: That is for the future, unless we don't like,
29 it is always the decision of this Committee what the cutoff is going to be. The decision
30 will always rest with this Committee.
31 Any other questions?
32 MR. DAY: Mr. Chairman, is there any indication from the
33 affected counties how they feel about it?
34 MR. ARTHUR: I haven't put this out to the counties, I
35 have explored it with the Commission members here, and they received it well. No, I
36 haven't talked to the counties. It wasn't my place to do that.
37 MR. WALKER: Mr. Chairman, in the past, not with this
38 proposal, but in general I think from one of the smaller counties, we had talked with
39 Cumberland and Buckingham, Prince Edward and Charlotte, and they have always said
40 they would rather have a chance at two hundred thousand every two or three years than
41 thirty thousand every year, as they can do something with a larger amount of money.
42 That's within the last twelve months we had that conversation. I feel like they still feel
43 the same way.
44 MR. ARTHUR: Any other comments?

1 MR. OWENS: Call the question.

2 MR. ARTHUR: Thank you. Does everybody understand
3 the proposal? Does everyone understand Delegate Wright's proposal? No questions? All
4 in favor signify by saying aye? (Ayes.) Opposed like sign?

5 MR. MOODY: No.

6 MR. ARTHUR: Let the record show Mr. Moody, no. That
7 is as near unanimous as we're going to get, I guess.

8 What we need to do here is notify all the counties what the allocations are
9 so that we can get it put out to them next week and set for the proposals to be in by the
10 first of September.

11 DELEGATE WRIGHT: Mr. Chairman, this may not be
12 necessary, but I think it would be a good idea to let the counties know that they don't
13 necessarily have to make one big proposal, they are still free to apply for the amount they
14 want to, up to a certain level.

15 MR. ARTHUR: All this does is establish a big pot of
16 money, they don't have to apply.

17 DELEGATE WRIGHT: They don't have to apply for the
18 whole thing, if they've got something they want to apply for, they can still do it.

19 MR. STEPHENSON: Mr. Chairman, I'm advised that this
20 decision would have to be ratified by the Full Commission at a two-thirds level. So, I'm
21 assuming in your announcement to the counties you're suggesting would have to occur
22 after this afternoon's Commission meeting.

23 MR. ARTHUR: Yes, sir. If the Full Commission voted it
24 down, then obviously we'd proceed with what we've got. Either way it goes, we've got to
25 do something. If the Full Commission votes it down, we'll go with what we've got and
26 look to September to do what we're going to do.

27 MR. WALKER: Mr. Chairman, I don't think it matters, but
28 why would this take a two-thirds vote?

29 MR. STEPHENSON: I understand it to be a By-law
30 requirement, on our original By-laws for, changes to guidelines and formulary that in our
31 By-laws calls for a two-thirds vote.

32 MR. ARTHUR: I could not possibly see why anyone
33 would vote this down.

34 MR. WALKER: Delegate Hogan is not here.

35 MR. ARTHUR: Is there any further business for this body,
36 is there any new business for this body? Then that concludes the business part that I
37 have.

38 The floor is open for any discussion from the public. Anyone have any
39 public comments? Anybody have anything to add?

40 Hearing none, do I hear a motion to adjourn?

41 MR. WALKER: So moved.

42

43 PROCEEDINGS CONCLUDED.

44

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter
and Notary Public for the State of Virginia at large, do hereby certify that I was the court
reporter who took down and transcribed the proceedings of the **Virginia Tobacco
Indemnification and Community Revitalization Commission Southside Economic
Development Committee Meeting when held on Thursday, June 23, 2005 at 11:30
a.m. at the Hotel Roanoke and Conference Center, Roanoke, Virginia.**

I further certify this is a true and accurate transcript to the
best of my ability to hear and understand the proceedings.

Given under my hand this 29th day of June, 2005.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission expires: October 31, 2006